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# KATHLEEN VINEHOUT

## STATE SENATOR

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**Testimony in Support of AB 756- Dairy Investment Tax Credit**  
**Senate Committee on Economic Development**  
**Monday, April 19, 2010**

The Dairy Farm Modernization Tax Credit expired with taxable year 2009. This bill seeks to extend the credit for two additional years ending in taxable year 2011. The credit was established in 2003 at that time when Wisconsin was falling farther and farther behind our competitors in milk production, the state's signature industry. To reverse a trend of lagging on-farm investment, the Dairy Farm Modernization Tax Credit was established to give farms of all sizes an incentive to modernize their operations and make them more efficient.

The success of the Dairy Farm Modernization Tax Credit has been demonstrated as Wisconsin farmers invested over \$1 billion of private equity into their farms and milk production increased from 22 billion pounds in 2002 to 25 billion pounds in 2009.

The Dairy Farm Modernization Tax Credit is a nonrefundable credit equal to 10% of modernization or expansion costs. The credit is intended to reduce the net cost of durable assets such as milking parlors, barns, and manure handling equipment. Assembly Bill 756 extends the Dairy Farm Modernization Tax Credit for two years and increases the allowable credit from \$50,000 to \$75,000.

Farmers throughout Wisconsin face serious economic challenges and record low milk prices. Every week I hear from a farmer who is looking for options as they struggle to avoid bankruptcy. Wisconsin farmers will need the next two years to rebuild lost equity and repay loans. While the state can do little to increase the price of milk, extending the tax credit will give farmers the opportunity to reinvest in their operations as milk prices begin to rebound.

Reinvestment in farms means they will be more efficient and less vulnerable during the next downturn in commodity prices. Expansion means farmers will be more profitable as they produce more milk. According to the Wisconsin Cheese Makers Association, demand for fresh Wisconsin milk has never been higher and 13% of the milk used to produce Wisconsin cheese comes from out of state. One of our goals should be to replace imported milk with Wisconsin milk and AB 756 can help us do that.

Extension of this credit will not only allow farmers to hit the ground running as prices improve; it sends a positive signal to them we are looking to their success in the future.



## CORRESPONDENCE/MEMORANDUM

Department of Agriculture, Trade and Consumer Protection  
Office of the Secretary

DATE: April 19, 2010

TO: Senator Julie Lassa, Chair  
Senate Committee on Economic Development

FROM: Randy Romanski, Deputy Secretary  
Department of Agriculture, Trade and Consumer Protection

SUBJECT: Testimony on AB 756 – Extending the Dairy Farm Modernization Investment Tax Credits through 2012.

Thank you for the opportunity to testify in support of AB 756. The Department would like to thank Representative Vruwink, Senator Vinehout and the bi-partisan list of co-sponsors for introducing this bill to continue investments in Wisconsin's dairy industry.

In his State of the State address, Governor Doyle called for the continuation of the dairy farm modernization tax credit. This bill, AB 756, would extend the dairy farm modernization tax credit that was enacted as 2003 Act 135. As you may know, this popular tax credit for modernization at the farm level sunset in January of 2010. Under this program, millions of dollars of tax credits have been employed to assist farmers in investing in their operations through construction, improvement or acquisition of buildings or facilities, or equipment for dairy animal housing, confinement, animal feeding, milk production or waste management. Eligible expenditures include items from fences, to barns, to digesters. When the dairy modernization tax credit was first enacted, it came at a crucial time in the dairy industry and created opportunities for dairy farmers to make investments in their operations to modernize and compete.

AB 756 will extend the tax credit for 10% of modernization or expansion costs up to \$75,000 per new claimant with no cap on total claims to January 1, 2012, to coincide with the sunset of the companion livestock farm modernization tax credit that was part of the 2005-07 biennial budget.

The tax credits, along with strategic investments by Wisconsin's dairy producers, have contributed greatly to the renaissance in the dairy industry. The dairy farm and livestock tax credits reflect private investment of over \$500 million in the industry and are part of a total \$1 billion of farm level facility investments in dairy farms in the five years leading up to the economic downturn. At a time when dairy farmers have been hit by unprecedented low milk prices and with prices continuing a slow rebound, this investment option may provide an opportunity for recovery for farmers that have interest in making improvements now as they work to build back their businesses. This extension will allow producers the opportunity to make improvements now and hit the ground running as milk prices rebound, and it will help their cash flow as that happens.



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April 19, 2010

To: Members, Senate Committee on Economic Development

From: Bill Oemichen, President & CEO, Cooperative Network  
John Manske, Director of Government Relations, Cooperative Network  
David Ward, Director of Government Relations & Dairy, Cooperative Network

Re: Support of Assembly Bill 756, Dairy Modernization Tax Credit

Cooperative Network represents 600 cooperatives, mutual insurance companies, and credit unions owned by approximately 2.9 million Wisconsin members. Among our members are dairy cooperatives that market the majority of milk produced in Wisconsin and produce close to 60% of our cheese. We are in support of AB 756, which would extend and expand the dairy farm modernization investment tax credit provision, for two years. AB 756 was approved in the Assembly last week on a 98-0 vote.

Cooperative Network was the primary statewide association that successfully advocated for creation of the dairy farm modernization investment tax credit that was in place for tax years 2004 - 2009. 2003 Assembly Bill 283 was created to help start the reversal of what was seen as a decline in the dairy industry in Wisconsin at that time. Most Wisconsin dairy farms had not adopted technology that was common in states with growing dairy industries and most farms were utilizing outdated and inefficient facilities and equipment.

Fortunately, the Wisconsin Legislature responded. In no small part due to this legislation which became 2003 Wisconsin Act 135, the declining fortunes of our dairy industry were reversed. Over \$50 million in dairy investment tax credits (DITC) have been claimed, representing over \$500 million in expenditures to modernize dairy farm facilities and equipment. Milk production in Wisconsin has grown again after declining for 20 years, and the overall dairy industry in the state has benefitted as a result, resulting in jobs retained, jobs created, and increased revenue to state and local governments.

The individuals who have benefitted from the credit represent all types of dairy operations. Last week on the day that the Assembly passed AB 756, former Cooperative Network Board member Dave Kyle and his wife Laurie from Kylecrest Holsteins at Elkhorn spoke on behalf of the legislation. For them, the tax credit made the difference in their decision to stay in dairying in Wisconsin. Today they milk 130 head and are growing a retail composted manure business as well.

All dairy farms that could benefit from upgrades have not done so, and AB 756 will offer an extended incentive for many of those farms to do so. It also increases the aggregate amount of credit that a claimant may claim, from the \$50,000 that existed for tax years 2004 - 2009, to the proposed amount of \$75,000.

Thank you for considering our request.

April 16, 2010

Dear Senate Economic Development Committee Members:

As representatives of organizations that include all sectors of Wisconsin's agricultural industry, we, the undersigned, would like to express our support of Assembly Bill 756, the Dairy Farm Modernization Tax Credit, which is being considered in your committee on Monday, April 19.

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AB 756 is a high priority to our members, which encompass the producers, processors and input suppliers who make up this state's \$59 billion agricultural industry and employ a tenth of the Wisconsin workforce. AB 756 has received an 11-0 vote of approval by the Assembly Committee on Agriculture and a 15-0 vote by the Joint Finance Committee, and the bill passed the Assembly last week by a 98-0 margin.

In his State of the State address, Governor Doyle called for the continuation of the dairy farm modernization tax credit which is now AB 756. The original dairy farm modernization tax credit passed the legislature on a 96-0 vote in the Assembly and 33-0 vote in the Senate. In no small part due to this legislation which became 2003 Wisconsin Act 135, the declining fortunes of our dairy industry were reversed. Over \$50 million in dairy investment tax credits (DITC) have been claimed, representing over \$500 million in expenditures to modernize dairy farm facilities and equipment. AB 756 will extend this successful tax credit for two more years. AB 756 will also expand the tax credit for 10% of modernization costs up to \$75,000, from the current \$50,000.

AB 756 will benefit dairy farms of all sizes and will strengthen Wisconsin's \$26.5 billion dairy industry. Cow numbers in Wisconsin have grown again after declining for 20 years, and the overall dairy industry in the state has benefitted, resulting in jobs retained, jobs created, and increased revenue to state and local governments. In 2009 Wisconsin reached record levels of milk production.

We request your positive action on AB 756 which is a priority for our members. Thank you for your consideration of our request.

Sincerely,

Cooperative Network

Dairy Business Association

Wisconsin Cheese Makers Association

Wisconsin Agri-Service Association

Wisconsin Pork Association

Wisconsin Agribusiness Council

Wisconsin Farm Bureau Federation

Wisconsin National Farmers Organization

Wisconsin Dairy Products Association

Wisconsin Farmers Union

Midwest Food Processors Association